

RECOMMENDATIONS

Developing a National Strategy for Technology Competitiveness

- As recommended in the Commission's 2004 Report to Congress, the U.S. government must develop a coordinated, comprehensive national technology competitiveness strategy designed to meet China's challenge to U.S. scientific and technological leadership. America's economic competitiveness, standard of living, and national security depend on such leadership. The Commission therefore recommends that Congress charge the Administration to develop and publish such a strategy in the same way it is presently required to develop and publish a national security strategy that deals with our military and political challenges around the world. Such a strategy should:
 - Identify future technology base goals;
 - Recommend policies for directing funds toward maintaining the U.S. technology base;
 - Initiate a national educational program similar to the programs developed in the post-Sputnik era to enhance the level of math and science education at the K-through-12, undergraduate, and graduate levels in the United States;
 - Recommend appropriate tax and investment policies to encourage high-technology-related research, development, and manufacturing activities in the United States.
- In establishing a national technology competitiveness strategy, it is critical to incorporate input from the U.S. technology industry to better align private-sector goals with national interests. To this end, the Commission recommends that the Congress create a task force regarding development and implementation of the national strategy. It should include representatives from the Office of Science and Technology Policy, the National Science Foundation, and appropriate cabinet departments such as the Department of Commerce to consult on a regular basis with select private sector leaders in key science and technology industries, representatives of the industries' skilled workers, and investment leaders, particularly venture capitalists. The intent in initiating such a task force is to create a permanent structured dialogue between the federal government and the private sector on tech-

nology base issues that have a direct effect on U.S. economic and national security. The task force should be required to report its findings and recommendations to Congress on an annual basis.

- The Commission recommends that Congress direct the Department of Commerce and the Office of the U.S. Trade Representative (USTR) to conduct a comprehensive study and report to Congress on China's development of unique domestic technology standards and whether non-performance-based standards are creating an unjustified market barrier to U.S. goods. If the study finds that China's standard setting process is acting as a market access restriction, Congress should direct USTR to identify standards under development and to intervene with Chinese officials early in the standard development process, and to consider filing a WTO case to address restrictive standards that are already in effect.
- Because of the importance of promoting interaction and exchange as a way of enhancing U.S. values and interests in the world and also of promoting U.S. economic interests, and because of the difficulties experienced in traveling to the United States by many business travelers who wish to expand trade relationships, the Commission recommends that Congress direct the President to review our nation's policies regarding student visas and business travel, ensuring that appropriate emphasis is placed on protecting the U.S. technological and economic base and U.S. security interests.

Maintaining the U.S. Defense Industrial Base

- In order to maintain a strong U.S. technological base in the key defense industries, the Commission recommends that Congress urge the President to conduct a study and recommend appropriate incentives—such as tax policy, energy policy, etc.—for domestic investment in research and development and in production in crucial defense-related industries.
- With China pursuing a coordinated strategy to attract investment in the semiconductor industry and in light of the extreme importance and urgency of ensuring a secure domestic supply of high-performance microchips for U.S. defense needs, the Commission recommends that Congress direct DoD to prepare an assessment of its future microchip needs and establish a carefully designed acquisition program based on that assessment that will secure a sufficient number of other “trusted and assured sources” of integrated circuits in addition to IBM (that participates in DoD's “Trusted Foundry Program”).
- The Commission recommends that DoD prepare an assessment of (1) China's anticipated naval buildup over the next decade and its stated plans to source 100 percent of the necessary systems and components required for this buildup, and (2), in order to usefully compare China's planned naval capability to U.S. naval capability, the ships, and the ship components and systems, that will be needed to meet U.S. military requirements over the next 20 years and the projected sourcing plan for all required ships, components, and systems extending to all levels of manufactur-

ers and suppliers—specifically noting anticipated sourcing dependence on China. This exercise should provide a prognosis of the long-term viability of U.S. domestic manufacturers of ships, components, and systems needed to meet the requirements, and the critical industrial skill base those manufacturers will need—and should highlight anticipated problem areas.

Tracking China’s Technology Development and Defense-Related Acquisitions

- The Commission recommends that Congress increase intelligence community resources for collection and analysis focused on China’s technology development. It is crucial that U.S. policy makers have access to current, accurate, and complete information on China’s technological development.
- The Commission recommends that Congress direct the Administration to begin preparing and submitting the quadrennial reviews required by law (P.L. 102–558) of any strategies by foreign countries and companies to acquire critical defense technologies. No such report has been prepared or delivered since the first report was issued in 1994.
- The Bureau of Economic Analysis currently compiles international trade data for each ATP product. The Commission recommends that Congress direct the Department of Commerce to present more detailed ATP trade data in a user-friendly format in its monthly publication, *U.S. Trade in International Goods and Services*. The data should be presented in a table that quantifies U.S. trade in each of the ATP products with the United States’ top ten ATP trading partners, of which China is one. This table should present, for each of the ten countries: (1) the value of U.S. imports of each ATP product from the country; (2) the value of U.S. exports of each ATP product to the country; (3) the country’s trade balance with the United States for each ATP product; and (4) the percentage of total U.S. imports of each ATP product accounted for by imports from that country. These data will facilitate analysis of the import dependency of the United States on specific ATP products and, more precisely, on specific ATP products from specific countries.

Proposed Amendments to the Exon-Florio Provision

- The current CFIUS process does not allow for Congressional oversight. The Commission recommends that the Exon-Florio provision be amended to require CFIUS to provide Congress notice of each proposed transaction CFIUS is requested to approve. In addition, CFIUS should be required to report to Congress on the disposition of each case it considered.
- Since economic security is an integral part of “national security,” the Exon-Florio provision should be amended to specifically require CFIUS to consider economic security as well as national security in making decisions.

- This Commission recommends that Congress urge the President to transfer the chairmanship of CFIUS from the Treasury Department to another of its member agencies.
- Congress should amend the Exon-Florio provision to require post-transaction reviews of CFIUS filings that have received full investigations, and that the results of these reviews be provided to Congress.

ENDNOTES

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2. The Commerce Department defines approximately 500 product codes as ATP. These products fall into 10 categories: biotechnology; life sciences; opto-electronics; information and communications; electronics; flexible manufacturing; advanced materials; aerospace; weapons; and nuclear technology.
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22. U.S.-China Economic and Security Review Commission, *Hearing on China's High-Technology Development*, testimony of Kathleen Walsh, April 21, 2005, p. 103.
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